

A **TATSUNO CORPORATION & ANOR v. FLOWFUEL SDN BHD**

HIGH COURT MALAYA, KUALA LUMPUR

ADLIN ABDUL MAJID J

[SUIT NO: WA-22IP-54-09-2023]

19 MAY 2025

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Abstract – *The doctrine of exhaustion of rights does not apply where the infringer fails to prove that the goods originated from the trademark owner or that the latter consented to the use of their marks, particularly when the goods have been altered without any indication of refurbishment.*

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INTELLECTUAL PROPERTY: *Trademark – Infringement of trademark – Fuel pumps – Fuel pumps supplied by trademark infringer bore marks identical or similar to claimant's marks – Fuel pumps did not originate from claimant – Whether there was infringement of marks – Whether infringer used, in course of trade, sign identical/similar with claimant's marks – Whether used for goods and services identical or similar for which claimant's marks were used – Whether infringement caused deception and/or confusion to customers and prospective customers – Whether defence of exhaustion of rights available to infringer – Trademarks Act 2019, s. 54*

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TORT: *Passing off – Trade marks – Claim – Fuel pumps – Fuel pumps supplied by tortfeasor bore marks identical or similar to claimant's marks – Fuel pumps did not originate from claimant – Whether tort of passing off established – Whether claimant had established goodwill and reputation for products – Whether there was misrepresentation by tortfeasor – Whether misrepresentation likely to lead public to believe that products sold were that of claimant's – Whether there was damage caused to claimant*

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The second plaintiff was the wholly owned subsidiary of the first plaintiff, a manufacturer of fuel dispenser pumps and provider of fuel retail solutions. The first plaintiff was the registered owner of the 'Tatsuno' mark while the second plaintiff was the registered owner of the 'Tatsuno Engineering & Service Malaysia Sdn Bhd' marks ('plaintiffs' marks'). The defendant was a one-stop fuel systems solutions provider which supplied and sold fuel pumps and point-of-sale systems and provided maintenance services for petrol stations. According to the plaintiffs, they discovered that the fuel pumps supplied by the defendant bore marks identical or similar to the plaintiffs' marks and these pumps did not originate from the plaintiffs. This prompted the plaintiffs to claim against the defendant for trademark infringement and the tort of passing off. It was argued by the defendant, (i) relying on the doctrine of exhaustion of rights, that the pumps originated

from the plaintiffs and the plaintiffs had exhausted their right to use the plaintiffs' marks after the first sale of the pumps. As such, the plaintiffs no longer had any right to prevent others from reselling or re-using the pumps which contained the plaintiffs' marks; (ii) the defendant had purchased the pumps from Meinhardt EPCM Sdn Bhd ('Meinhardt'), the company which the plaintiffs sold old and used dispenser pumps to.

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Held (allowing claim with damages to be assessed):

(1a) The plaintiffs were the registered owners of the plaintiffs' marks and the plaintiffs' marks were valid and subsisting. It was in evidence that the defendant supplied the following fuel dispenser pumps: (i) pumps 13 and 14 at Petron Bandar Dungun Station, Terengganu ('Petron Bandar Dungun pump') to its owner, Wan Arfa Integrated Sdn Bhd ('Wan Arfa'); and (ii) pumps 1 and 2, 3 and 4, 5 and 6, 7 and 8, 9 and 10 and 11 and 12 at the Shell Senawang Station ('Shell Senawang') to its owner, Rayn Revenue Sdn Bhd ('Rayn Revenue'). (paras 12, 13, 18 & 19)

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(1b) Pursuant to s. 54 of the Trademarks Act 2019, the defendant, in supplying the pumps to Wan Arfa and Rayn Revenue, had in the course of its trade as a fuel solutions provider, without the plaintiffs' consent, used signs which were either identical or similar with the plaintiffs' marks, in relation to goods and services which were identical to those for which the plaintiffs' marks were registered. The defendant's business of providing fuel systems solutions was identical or similar to businesses related to the classes of goods and services that the plaintiffs' marks were registered. Therefore, the defendant had committed acts of infringement of the plaintiffs' marks. The infringement had also caused deception and/or confusion to customers and prospective customers purchasing or looking to purchase dispenser pumps. (paras 24-26)

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(2a) The plaintiffs had shown that the information plates on the pumps contained marks that were either identical or substantially similar to the plaintiffs' marks. The information plate on a dispenser pump was a mode of identification for the pump, containing information on the pump, including its unique serial and model numbers and date of manufacture. The information plates on the plaintiffs' dispenser pumps would tie back to the plaintiffs' official records of pumps manufactured by the first plaintiff. However, in this case, the serial numbers on the pumps could not be found on the plaintiffs' records and did not match the standard serial number formats for products manufactured by the plaintiffs. (paras 20 & 21)

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(2b) The defendant's claim, that the pumps were the plaintiffs' original pumps sourced from Meinhardt, was inherently incredible. If the pumps had originated from Meinhardt, the serial numbers of the

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- A pumps would have matched the plaintiffs' records. It was not likely that the plaintiffs had knowledge of the pumps. As such, the plaintiffs could not have consented to the use of signs that were identical or similar to the plaintiffs' marks on the pumps. (paras 22 & 23)
- B (3) The doctrine of exhaustion of rights did not apply to the facts of the present case for the following reasons: (i) the defendant had not proven that the pumps originated from the plaintiffs; (ii) the defendant had not demonstrated that the plaintiffs impliedly consented to the use of the plaintiffs' marks on the pumps. It would be unlikely for the plaintiffs to have consented to the use of the plaintiffs' mark on the pumps given
- C that the plaintiffs were not aware of the sale of the pumps by the defendant until the Petron Bandar Dungun pumps were discovered by the second plaintiff during a field exercise; (iii) there was no unequivocal renouncement by the plaintiffs of the right to oppose the placement of the pumps in Malaysia; and (iv) the pumps had been
- D altered with changes made to the manufacturing dates and model numbers. There was no indication on the pumps that they were refurbished or re-used pumps. (paras 41-45 & 52)
- E (4) The elements of passing off had been met. The evidence adduced was sufficient to establish that the plaintiffs' products had acquired goodwill and reputation globally and in Malaysia. The defendant had used the plaintiffs' marks on the pumps. The plaintiffs' marks were the identifying feature of the plaintiffs' products. The use of marks identical or significantly similar to the plaintiffs' marks was a misrepresentation by the defendant that the marks were that of the
- F plaintiffs. The plaintiffs and the defendant were in the same business of selling fuel dispenser pumps and, as such, the sale of products by the defendant, using marks that passed off as the plaintiffs' marks, would have likely led to damages to the plaintiffs. (paras 56, 60 & 69)

Case(s) referred to:

- G *Champion Spark Plugs v. Sanders* 331 US 125 [1947] (*refd*)
Colgate-Palmolive Ltd & Anor v. Markwell Finance Ltd & Anor [1989] RPC 497 (*refd*)
Guangzhou Light Industry & Trade Group Ltd & Ors v. Lintas Superstore Sdn Bhd [2022] 6 CLJ 653 FC (*refd*)
Low Chi Yong v. Low Chi Hong & Anor [2018] 1 CLJ 287; [2017] 1 LNS 1666 FC (*refd*)
Skyworld Holdings Sdn Bhd & Ors v. Skyworld Development Sdn Bhd & Anor [2022] 5 CLJ 74 FC (*refd*)
- H *Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor* [1988] CLJU 21; [1988] 1 LNS 21 HC (*refd*)
Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor [2011] CLJU 1307; [2011] 1 LNS 1307 CA (*refd*)
- I *Zino Davidoff SA v. A & G Imports Ltd* [1999] 3 All ER 711 (*refd*)

Legislation referred to:

Trade Marks Act 1976 (repealed), ss. 38, 40(1)(dd)

Trademarks Act 2019, ss. 38, 54, 55(3)(c)

For the plaintiffs - Cindy Goh Joo Seong & Choong Xin Xian; M/s Cheang & Ariff

For the defendant - Steven Cheok; M/s Adnan Sundra & Low

Reported by Najib Tamby

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JUDGMENT**Adlin Abdul Majid J:****Introduction**

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[1] The plaintiffs filed this claim against the defendant for trademark infringement and passing off.

[2] After a full trial, the court allowed the plaintiffs' claim. The reasons for the decision are set out below.

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Background Facts

[3] The first plaintiff manufactures fuel dispenser pumps and provides fuel retail solutions. The second plaintiff is the wholly owned subsidiary of the first plaintiff.

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[4] The first plaintiff is the registered owner of the “**TATSUNO**” mark, while the second plaintiff is the registered owner of the mark:



These marks shall collectively be referred to as the “plaintiffs' marks”.

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[5] The second plaintiff has been granted the exclusive right to use the plaintiffs' marks for goods and services in Malaysia

[6] The defendant is a one-stop fuel systems solutions provider. It supplies and sells fuel dispenser pumps and point-of-sale systems, and provides maintenance services for petrol stations.

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[7] The plaintiffs claimed that they discovered fuel dispenser pumps supplied by the defendant, which bear marks identical or similar to the plaintiffs' marks. It is the plaintiffs' case that these pumps did not originate from the plaintiffs, and the defendant's supply of these pumps is an infringement of the plaintiffs' marks and an act of passing off. The plaintiffs filed this action against the defendant for trademark infringement and passing off.

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[8] The main defence raised by the defendant is the application of the doctrine of exhaustion of rights. The defendant argued that the pumps originated from the plaintiffs, and the plaintiffs had exhausted their right to

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- A use the plaintiffs' marks after the first sale of the pumps. As such, the plaintiffs no longer have any right to prevent others from reselling or reusing the pumps, which contain the plaintiffs' marks.

Questions Before The Court

- B [9] The court considered two main questions in the determination of this matter. They are as follows:
- (i) whether the defendant infringed the plaintiffs' marks; and
 - (ii) whether the defendant committed the tort of passing off.
- C [10] Both questions were answered in the affirmative, and the court found that the plaintiffs have proven their claim against the defendant.

Did The Defendant Infringe The Plaintiffs' Marks*Considerations*

- D [11] The court considered the following issues in examining the question of whether the defendant infringed the plaintiffs' marks:
- (i) who owns the plaintiffs' marks?
 - (ii) how was the plaintiffs' marks infringed?
- E (iii) does the doctrine of exhaustion of rights apply to this case?

Who Owns The Plaintiffs' Marks?

- [12] It has been established and is not in dispute that the plaintiffs are the registered owners of the plaintiffs' marks. The plaintiffs' marks are registered in a few classes, including:
- F (a) Class 6: "Fuel storage metal tanks; buried metal tanks for fuel";
- (b) Class 7: "Fuel pumps for engines; self-regulating fuel pumps; fuel pumps for services stations; fuel pumps for land vehicle engines; fuel dispensing pumps for service stations; gasoline pumps for gas stations; apparatus for gas stations, namely feeding devices, nozzles and pumps for liquid and gas"; and
- G (c) Class 37: "Periodic inspection of underground tanks and underground buried pipings; inspection of underground buried pipings for underground tanks; repair and maintenance of fuel tanks; repair or maintenance of apparatus for gas stations; maintenance and repair of automobile; repair and maintenance of pumps, maintenance of automobiles, two-wheeled vehicles and other in gas stations (fuel replenishment work and repair); construction of oil tank facilities; construction management on all architectural and civil engineering".
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- I [13] It is also not in dispute that the plaintiffs' marks are valid and subsisting.

How Was The Plaintiffs' Marks Infringed?

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[14] The plaintiffs relied on s. 54 of the Trademarks Act 2019 ("TMA 2019") to support their claim of trademark infringement. Section 54, which sets out acts amounting to infringement of a registered trademark, provides that:

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(1) A person infringes a registered trademark if he uses a sign which is *identical with the trademark* in relation to goods or services which are identical with those for which it is registered, in the course of trade, *without the consent of the registered proprietor*.

(2) A person infringes a registered trademark if, *without the consent of the proprietor of the trademark*, he uses in the course of trade a sign:

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(a) that is identical with the trademark and is used in relation to goods or services similar to those for which the trademark is registered; or

(b) that is *similar to the trademark* and is used in relation to goods or services identical with or similar to those for which the trademark is registered,

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resulting in the likelihood of confusion on the part of the public.

(emphasis added)

[15] From s. 54 of the TMA 2019, to prove that the plaintiffs' marks have been infringed, the plaintiffs will need to show that the defendant has used in the course of trade a sign identical or similar with the plaintiffs' marks, for goods and services identical or similar to those for which the plaintiffs' marks are registered.

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[16] In *Low Chi Yong v. Low Chi Hong & Anor* [2018] 1 CLJ 287; [2017] 1 LNS 1666; [2018] 1 MLJ 175, the Federal Court held that to prove trademark infringement under s. 38 of the Trade Marks Act 1976 ("TMA 1976") (which contains provisions similar to s. 54 of the TMA 2019), the following ingredients must be established:

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(a) the respondent used a *mark identical with or so nearly resembling the trademark as is likely to deceive or cause confusion*;

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(b) the respondent is *not the registered proprietor or the registered user* of the trademark;

(c) the respondent was using the offending trademark *in the course of trade*;

(d) the respondent was using the offending trademark *in relation to goods or services within the scope of the registration*; and

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(e) the respondent used the offending mark in such a manner as to *render the use likely to be taken either as being use as a trademark or as importing a reference* to the registered proprietor or the registered user or to their goods or services.

(emphasis added)

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A [17] In the present case, after considering the evidence before the court, I found that several facts have been proven, which support the plaintiffs' claim that the defendant had infringed the plaintiffs' marks.

[18] First, it is in evidence that the defendant supplied the following fuel dispenser pumps:

- B (i) pump 13 and 14 ("Petron Bandar Dungun pump") at the Petron Bandar Dungun station at Lot PT 17820, Batu 48½, Jalan Bunga Raya 2, 23000 Dungun, Terengganu ("Petron Bandar Dungun"); and
- C (ii) pump 1 and 2, pump 3 and 4, pump 5 and 6, pump 7 and 8, pump 9 and 10, and pump 11 and 12 ("Shell Senawang pumps") at the Shell Senawang station at PT 14727, Jalan Persiaran Senawang 1, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan ("Shell Senawang").

The Petron Bandar Dungun pump and the Shell Senawang pumps are collectively referred to as the "pumps".

D [19] The Petron Bandar Dungun pump was supplied by the defendant to the owner of Petron Bandar Dungun, Wan Arfa Integrated Sdn Bhd ("Wan Arfa"), while the Shell Senawang pumps were supplied by the defendant to the owner of Shell Senawang, Rayn Revenue Sdn Bhd ("Rayn Revenue"). The pumps were supplied to Wan Arfa and Rayn Revenue in the course of the defendant's trade as a one-stop fuel systems solutions provider.

E [20] The plaintiffs have also shown that the information plates on the pumps contain marks that are either identical or substantially similar to the plaintiffs' marks. The information plate on a dispenser pump is a mode of identification for the pump, containing information on the pump including its unique serial number, model number and date of manufacture. Information plates on the plaintiffs' dispenser pumps would tie back to the plaintiffs' official records of pumps manufactured by the first plaintiff.

F [21] However, in this case, the serial numbers on the pumps cannot be found in the plaintiffs' records, and do not match the standard serial number formats for products manufactured by the plaintiffs.

G [22] I have taken note of the defendant's allegation that it purchased the pumps from Meinhardt EPCM Sdn Bhd ("Meinhardt"), the company to which the plaintiffs sold old and used dispenser pumps. However, the defendant's witness, Praveen a/l Ramakrishnan, a former procurement manager of Meinhardt ("DW3") testified that Meinhardt did not modify or repair the plaintiffs' pumps that it had sold to the defendant, and that the pumps were sold on an "as-is" basis. Thus, from DW3's testimony, if the pumps had originated from Meinhardt as claimed by the defendant, the serial numbers of the pumps would have matched the plaintiffs' records. Relying on this testimony, I found the defendant's claim that the pumps were the plaintiffs' original pumps sourced from Meinhardt to be inherently incredible.

[23] As I have rejected the defendant's allegation that the pumps had originated from the plaintiffs, it is not likely that the plaintiffs had knowledge of the pumps. As such, the plaintiffs could not have consented to the use of signs that are identical or similar to the plaintiffs' marks, on the pumps.

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[24] Applying s. 54 of the TMA 2019 to the facts of this case, I find that in supplying the pumps to Wan Arfa and Rayn Revenue, the defendant had, in the course of its trade as a fuel solutions provider, without the plaintiffs' consent used signs which are either identical or similar with the plaintiffs' marks, in relation to goods and services which are identical to those for which the plaintiffs' marks are registered. In this regard, the defendant's business of providing fuel systems solutions is identical or similar to businesses related to the classes of goods and services that the plaintiffs' marks are registered, *ie*, fuel storage tanks (class 6), fuel pumps and fuel dispensing pumps for service stations (class 7), and the repair and maintenance of apparatus for gas stations and pumps (class 37).

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[25] With this finding, it would follow that the defendant had committed acts of infringement of the plaintiffs' marks.

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[26] In addition, the court also found that the infringement has caused deception and/or confusion to customers and prospective customers purchasing or looking to purchase fuel dispenser pumps.

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[27] The pumps contain designs of information plates used by the plaintiffs prior to 31 May 2013. This means that the pumps were likely to have been manufactured before 31 May 2013. However, the defendant admitted that it had changed the manufacturing date in the information plates of the pumps to a later date, 2020.

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[28] The information plates on the pumps also contain the wrong specifications of the pumps. For Shell Senawang, for example, the model numbers of the Shell Senawang pumps include model numbers SSB2444 and SSB366261. Based on the model list of the plaintiffs' pumps:

- (i) the third letter in the model number indicates whether the pumps are wide body or narrow body pumps. The letter "A" represents wide body pumps and the letter "B" represents narrow body pumps; and
- (ii) the third number in the model number represents the number of nozzles on the pumps. The number "2" indicates that the pump has two nozzles, while the number "3" indicates that the pump has three nozzles.

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[29] However, the pump with the model number SSB2444 is a narrow body pump (when it should have been a wide body pump), while the pump with the model number SSB366261 is a pump with two nozzles (when it should have been a pump with three nozzles).

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- A [30] The false information on the pumps would likely have caused confusion to the public, leading them to believe that the pumps were manufactured at a later date, when the pumps were in fact manufactured earlier. The false manufacturing dates on the pumps would give the public a wrong impression of the lifespan of the pumps. The false model numbers
B would also cause confusion, causing the public to believe that the pumps meet the requisite standards for their intended use.

- C [31] With the use of marks identical or similar to the plaintiffs' marks on the pumps, it is likely that customers would have considered the pumps to be that of the plaintiffs, and they would have believed that the pumps meet the quality and standards of the plaintiffs' pumps.

- D [32] As such, I find that in using marks that are identical or similar to the plaintiffs' marks on the pumps in the course of its trade without the plaintiffs' consent and causing confusion to the public, the defendant had infringed the plaintiffs' marks.

Does The Doctrine Of Exhaustion Of Rights Apply To This Case?

- E [33] The main defence raised by the defendant is that the doctrine of exhaustion of rights applies to this case. The doctrine of exhaustion of rights provides that the right of a trademark owner is exhausted after the first sale of its products, and the owner thereafter no longer has any right to prevent others from reselling or reusing its products which contain its trademark.

- F [34] This doctrine was examined by the Federal Court in *Guangzhou Light Industry & Trade Group Ltd & Ors v. Lintas Superstore Sdn Bhd* [2022] 6 CLJ 653; [2022] 4 MLJ 339, in the context of parallel importation. The case involves the defendant's use of a trademark similar to the plaintiffs' "Eagle Coin" trademark on its products without the plaintiffs' consent. The products were produced in China by the first and second plaintiffs and were restricted for sale in China. The defendant was alleged to have imported the products directly from China and offered them for sale in Malaysia without
G authorisation from the first and second plaintiffs and bypassing the third plaintiff, the sole authorised distributor of the first and second plaintiffs' products in Malaysia.

- H [35] In that case, the defendant argued that the products are parallel imports, and raised a defence under s. 40(1)(dd) of the TMA 1976, which provides that the use of a trademark in relation to goods or services to which the registered proprietor had expressly or impliedly consented is not an act of infringement. The defendant relied on the High Court case of *Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor* [1988] CLJU 21; [1988] 1 LNS 21; [1988] 2 MLJ 317, contending that the registered proprietor's
I rights in the products are exhausted once the products are sold by him or his authorised distributor with his consent anywhere in the world. The defendant

argued that because the rights to the “Eagle Coin” mark have been exhausted, there was implied consent of the first and second plaintiffs on the use of the mark by the defendant.

[36] The Federal Court distinguished the *Winthrop* (*supra*), and found there to have been no express or implied consent given to the defendant to resell the products in Malaysia, despite the fact that the products were genuine products placed into the China market by the registered proprietor of the mark. Thus, the defence of exhaustion of rights failed. The court held as follows:

[127] Another distinguishing factor in *Winthrop* is that *there was knowledge on the part of the plaintiffs that the defendant is an existing customer of theirs and that the plaintiffs also knew that the defendant was an exporter of the goods, so the court could infer there was implied consent to reselling*, whereas in our case, the defendant was neither an existing customer of the P2 nor a known exporter/distributor of ‘Eagle Coin’ products for consent to be implied or deemed.

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[136] There was no consent, be it express nor implied, by the plaintiffs, to the resale of the products in Malaysia. *There is no affiliation between the plaintiffs and the defendant to warrant any implied consent, rather it invites confusion and deception amongst consumers due to the unauthorised sale of the products*. Therefore, there is no exhaustion of their trademark rights, be it nationally nor internationally.

[137] Hence, the learned High Court judge did not err when His Lordship held that the defence of parallel importation fails and that the trademark rights of the plaintiffs had been infringed when it imported the products that carry the trademark ‘Eagle Coin’ which was restricted for sale in China only. *These products though not counterfeit but products of the plaintiffs brought into Malaysia through unauthorised parallel importation*.

(emphasis added)

[37] The Federal Court also held, referring to *Zino Davidoff SA v. A & G Imports Ltd* [1999] 3 All ER 711, that implied consent can only be inferred if there is unequivocal renouncement of the right to oppose the placement of goods in the market in the jurisdiction the goods were imported to (see para. [130] of the judgment).

[38] The present case differs from *Guangzhou* (*supra*), as it does not involve parallel importation. However, the defendant relied on the defence in s. 55(3)(c) of the TMA 2019, a provision equivalent to s. 40(1)(dd) of the TMA 1976, which was relied on in *Guangzhou* (*supra*). These sections are in line with the doctrine of exhaustion of rights as they provide that a user who had used the trademark of a registered proprietor does not infringe the trademark where there has been express or implied consent of the registered proprietor on the use of the trademark.

A [39] Section 55(3)(c) of the TMA 2019 provides that:

(3) Notwithstanding anything contained in this Act, a person who uses a registered trademark **does not infringe the trademark** if such use:

(c) has at any time **expressly or impliedly been consented to by the registered proprietor** or licensee ...

B (emphasis added)

C [40] In the present case, the defendant argued that notwithstanding the incorrect information on the information plates of the pumps, the pumps are genuine products of the plaintiffs. Thus, the plaintiffs' right over the plaintiffs' marks on the pumps is exhausted after the first sale of the pumps, and in this regard, the plaintiffs have impliedly consented to the resale of their products bearing the plaintiffs' marks by a third party.

D [41] I am unable to agree with the defendant's argument, as I find that the doctrine of exhaustion of rights does not apply to the facts of the present case. There are four reasons for my finding.

[42] First, the defendant has not proven that the pumps originated from the plaintiffs.

E [43] Second, the defendant has not demonstrated that the plaintiffs have impliedly consented to the use of the plaintiff's marks on the pumps. I also find that it would in any event be unlikely for the plaintiffs to have consented to the use of the plaintiff's marks on the pumps, given that the plaintiffs were not aware of the sale of the pumps by the defendant until the Petron Bandar Dungun pumps were discovered by the second plaintiff during a field exercise in January 2023.

F [44] Third, there was no unequivocal renouncement by the plaintiffs of the right to oppose the placement of the pumps in Malaysia.

[45] Fourth, the pumps had been altered with changes made to the manufacturing dates and model numbers of the pumps.

G [46] *Guangzhou (supra)* referred to *Colgate-Palmolive Ltd & Anor v. Markwell Finance Ltd & Anor* [1989] RPC 497, where the English Court of Appeal held that there was no implied or express consent on the use of the registered trademark, as there was a significant difference between the formulation of the Brazilian goods and the goods in the United Kingdom. The Federal Court in *Guangzhou (supra)* held that:

I [141] In the *Colgate-Palmolive* case above, the court held that the 'goodwill' of Colgate had been damaged by the importation of inferior Colgate products into the US. In the US which applies the 'first-sale doctrine' (where the trademark owner cannot prevent the subsequent re-sale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trademark infringement.

Case laws from the US demonstrate that the fact that both goods come from the same manufacturer is irrelevant as the probability of confusion exists. The cases from US are instructive, in that *even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product.*

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[142] We are persuaded by the submission by the plaintiff that Malaysia should adopt an approach like the US that *the sale and distribution of parallel imports that are 'materially different' from goods authorised for sale within the country constitutes trademark infringement.* This proposition is illustrated by the following cases from the US:

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(a) in *Societe Des Produits Nestle, SA v. Casa Helvetia, Inc* 982 F2d 633 (first Cir, 1992) where the Federal Court of Appeals adopted the protective approach on registered proprietors of the trademark against the importation of the gray goods, and went on to hold that *even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product;*

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(b) in *Lever Bros Co v. United States* 981 F2d 1330 (DC Cir 1993) where the US Court of Appeals for the District of Columbia *prohibited the importation of physically different foreign goods bearing a trademark which was identical to a valid US trademark, regardless of the trademark's genuine character abroad or affiliation between the producing firms.* Such affiliation between the producers in no way reduces the probability of substantial consumer confusion and deception in the US about the nature and origin of the goods; and

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(c) in the *Colgate-Palmolive's* case, the court held that *the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trademark infringement.* It went on to hold that the 'goodwill' of 'Colgate' had been damaged by the importation of inferior 'Colgate' products

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(emphasis added)

[47] In the present case, the pumps were refurbished and reconditioned, and were resold with material changes made to their information plates, including false manufacturing dates and wrong model numbers. In view of the material differences between the pumps and plaintiffs' pumps, I am of the view that the doctrine of exhaustion of rights cannot apply to this case.

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[48] The plaintiffs referred to *Champion Spark Plugs v. Sanders* (331 US 125, 1947), which I found to be persuasive authority on the issue of the use of trademarks on refurbished or reconditioned goods. In this case, the respondents repaired used "Champion" spark plugs, reconditioned and resold them without removing the original trademarks. The word "Champion" was retained on the repaired or reconditioned plugs.

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- A [49] The United States Supreme Court upheld the decision of the Court of Appeal and agreed that the respondents had infringed the “Champion” trademark. The court held as follows at p. 130:

B ... *The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition.* The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. *And there is evidence that the reconditioned plugs are inferior* so far as heat range and other qualities are concerned. *But inferiority is expected in most second-hand articles.* Indeed, they generally cost the customer less. That is the case here. *Inferiority is immaterial so long as the article is clearly and distinctly sold as repaired or reconditioned rather than as new.* The result is, of course, that the second-hand dealer gets some advantage from the trade mark. *But under the rule of Prestonettes, Inc v. Coty, supra, that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.*

(emphasis added)

- E [50] The court held that the word “repaired” or “used” must be plainly and durably stamped on each plug. Further, the containers and printed matter used in connection with the sales must clearly show that the plugs are used and reconditioned by the respondents, giving their names and address, even though the marks do not need to be removed.

- F [51] The present case before this court involves pumps which the defendant argued originated from the plaintiffs, and were then refurbished for reuse. The pumps are sold with marks identical or similar to the plaintiffs’ marks. For the defendant to succeed in its argument that the plaintiffs had impliedly consented to the use of the plaintiffs’ marks, there must have been indications on the pumps that the pumps are reconditioned, refurbished or reused pumps. The supply of the pumps without such indications by the defendant results in confusion on the part of the public, who would have believed that the pumps were that of the plaintiffs.

- G [52] From the totality of the evidence before this court, I find the doctrine of exhaustion of rights does not apply to this case, in view of the following:

- H (i) the plaintiffs have not expressly or impliedly consented to the sale of the pumps in Malaysia;
- (ii) the plaintiffs have not unequivocally renounced their right to oppose the sale of the pumps in Malaysia;
- I (iii) the pumps have been altered with changes made to, amongst others, the manufacturing dates and model numbers of the pumps; and
- (iv) there is no indication on the pumps that they are refurbished or reused pumps.

[53] As I have rejected the defendant's argument on the application of the doctrine of exhaustion of rights, I find that in using marks that are identical or similar to the plaintiffs' marks on the pumps which it supplied in the course of its trade without the plaintiffs' consent, the defendant had infringed the plaintiffs' marks.

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Did The Defendant Commit The Tort Of Passing Off?

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Elements Of Passing Off

[54] The second question considered by the court in the determination of this action is whether the defendant had committed the tort of passing off. For passing off to be proven, the plaintiffs must satisfy the court that:

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- (i) the plaintiffs have established goodwill and reputation for their products;
- (ii) there was misrepresentation by the defendant, which is likely to lead the public to believe that the products they sold are that of the plaintiffs; and
- (iii) there was damage caused to the plaintiffs

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(see *Skyworld Holdings Sdn Bhd & Ors v. Skyworld Development Sdn Bhd & Anor* [2022] 5 CLJ 74; [2022] 3 MLJ 426, at para. [22]).

Goodwill

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[55] The concept of goodwill was examined in *Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor* [2011] CLJU 1307; [2011] 1 LNS 1307; [2012] 1 MLJ 585, where the Court of Appeal listed the features of goodwill:

[115] Four discerning features of goodwill may be listed:

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- (a) that goodwill is the *benefit* added to the business *through extensive trading operations* which attracts custom;
- (b) that trademark or get up is the badge and indicia that signifies, indicates and identifies the goodwill and the business;
- (c) that goodwill is *created through and by means of trading activities*; and
- (d) that *the more extensive the trading activities are*, which must necessarily include sales and promotion, *the more value that would be attached to the goodwill*.

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(emphasis added)

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[56] The court finds the evidence adduced by the plaintiffs to be sufficient to establish that the plaintiffs' products have acquired goodwill and reputation globally and in Malaysia. The plaintiffs have shown that:

- (i) the first plaintiff is a leading manufacturer of fuel dispenser pumps and provider of fuel retail solutions. It has approximately 34 distributors worldwide;

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- A (ii) the plaintiffs have won numerous awards and recognition for their products in Malaysia and internationally, from engineering and petroleum institutes;
- (iii) the plaintiffs' products are known in Malaysia for their quality and reliability;
- B (iv) the first plaintiff's products are used by major oil and gas companies, such as Shell, Petron, Total, Esso, Sinopec, Pertamina, Oman Oil, Pakistan State Oil, Ministry of Oil (Iraq), Reliance in India, Petrolimex and Eneos;
- C (v) the plaintiffs market their products and services on their websites and on social media;
- (vi) the second plaintiff has a warehouse and an office in Malaysia, has sold products bearing the plaintiffs' marks widely in Malaysia, and has carried out events in Malaysia.

D [57] From the above, it is clear that the plaintiffs' products have acquired goodwill and reputation globally and in Malaysia.

Misrepresentation

E [58] Further, I find there to be sufficient evidence to prove misrepresentation by the defendant, which had likely led the public to believe that the pumps are that of the plaintiffs.

[59] In *Yong Sze Fun (supra)*, the Court of Appeal explained what misrepresentation entails:

F [148] In *AG Spalding & Bros v. AW Gamage Ltd*, Lord Parker had this to say about misrepresentation at p. 284 of the report:

G ... the basis of a passing-off action being a false representation by the defendant, it must be proved in each case as a fact that the false representation was made. It may, of course, have been made in express words, but cases of express misrepresentation of this sort are rare. *The more common case is, where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or of a particular class of the public.*

H [149] 'Misrepresentation' is a crucial ingredient in an action for passing off. To succeed, the plaintiffs must prove not only the fact of misrepresentation but additionally that *the misrepresentation was material and operative*. In our judgment, the plaintiffs succeeded in proving the factum of misrepresentation.

I [150] To sell his goods, a trader usually marks his goods in a particular way or he may adopt a particular trading style. In doing so, the trader is making a representation to his customers that his goods is worth buying. And that representation becomes a misrepresentation if the trader adopts indentifying features of another

trader's goods. Thus, from the facts the defendants have appropriated the plaintiffs identifying features and pass off the defendants' goods as the plaintiffs.

(emphasis added)

[60] In the present case, the defendant had used the plaintiffs' marks on the pumps. The plaintiffs' marks are the identifying feature of the plaintiffs' products. The use of marks identical or significantly similar to the plaintiffs' marks is a misrepresentation by the defendant that the marks are that of the plaintiffs.

[61] It must be highlighted that a representative of Rayn Revenue, Zaharin Zulkifli ("PW1") – who I observed to be a truthful independent witness - testified that the defendant misrepresented to him that the pumps were sourced from the second plaintiff. In his witness statement ("WS-PW1"), he explained that he was informed that the defendant was selling original pumps of the plaintiffs:

8. Q : *What did Flowfuel say to you when they wanted to sell the 6 fuel dispenser pumps to you?*

A : *Flowfuel told me that the dispenser pumps they are selling are original pumps which have never been used before although they are old stocks. That is why it is written as 'ex-stock' in the invoice. They told me they get their pumps directly from the second plaintiff, Tatsuno Engineering & Service Malaysia Sdn Bhd ("Tatsuno Malaysia") and they are in good condition. They have ready stocks available and could proceed with installation immediately. As it was right after the Covid pandemic at that time in year 2022, they told me if I were to purchase directly from Tatsuno Malaysia, I would have to wait 3 to 6 months for the fuel dispenser pumps to be delivered. Flowfuel said their fuel dispenser pumps come with a 1 year original warranty from Tatsuno Malaysia.*

(emphasis added)

[62] PW1 also explained in WS-PW1 that he owned another petrol station and had never encountered issues with the plaintiffs' pumps before:

16. Q : *Can you tell us if you have encountered similar issues with fuel dispenser pumps before?*

A : *I have never encountered issues like this before as Tatsuno's fuel dispenser pumps are known to be stable and of good quality. I own another petrol station which is Shell Keramat AU5 under ZNF Enterprise Sdn Bhd, where I serve as the Managing Director. We also use Tatsuno dispenser pumps there since we started operation in year 2017. That petrol station has never encountered any issues with Tatsuno pumps. This positive track record is why I trusted Tatsuno pumps, as my experience has proven their pumps to be low-maintenance.*

- A *However, when I bought the Tatsuno pumps from Flowfuel for my subsequent petrol station at Shell Senawang. I was very disappointed with the quality of the Tatsuno pumps. I was surprised when there were so many issues with the pumps and wondered why Tatsuno's pumps are now having such a bad quality. It became so frequent that almost every week there are complaints received that the pumps are not functioning.*
- B (emphasis added)

[63] The testimony of PW1 reveals that there was actual misrepresentation by the defendant that the pumps originated from the plaintiffs, and that the misrepresentation had caused confusion to PW1 that the Shell Senawang pumps were that of the plaintiffs.

C *Damage*

- [64] It is settled law that actual damage arising from passing off does not need to be proven. This is set out in the following passage in *Yong Sze Fun* (*supra*):
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[240] The law is settled. *Actual damage need not be proven. It is sufficient to show a probability of damage.* In this regard, the case of *HP Bulmer Ltd and Showerings Ltd v. J Bollinger SA and Champagne Lanson Pere Et Fils* [1978] RPC 79 immediately comes to the forefront. There, Buckley LJ had this to say at p. 95 of the report:

- E It is well settled that a plaintiff in a passing off action does not have to prove that he has actually suffered damage by loss of business or in any other way. *A probability of damage is enough, but the actual or probable damage must be damage to him in his trade or business, that is to say, damage to his goodwill in respect of that trade or business.* 'Goodwill' is a word of wide import.
- F (emphasis added)

[65] In a case where the products in question are in competition with each other, damages can be inferred or presumed, as held in *Jasmine Food Corp Sdn Bhd v. Leong Wai Choon* [2016] 11 MLJ 812:

- G [71] In the case of *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770; [1994] 3 CLJ 7, the Supreme Court held that *if the goods in question are in direct competition with one another, the issue of damage to the plaintiff's goodwill will be readily inferred.*
- H [72] In the present case, since *the defendants' counterfeit products and the plaintiff's original products are the same, that is rice products, and are in direct competition with one another, damages are inferred and presumed.* Therefore, premised on *Seet Chuan Seng's* case, damages to the plaintiff's goodwill will be readily inferred. At the same time, I also agree with the plaintiff that it is likely to suffer damages as a result of the infringing acts of the defendant due to the loss of exclusivity and damage to its goodwill and reputation.
- I (emphasis added)

[66] In the present case, the plaintiffs and the defendant are in the same business of selling fuel dispenser pumps, and as such, the sale of products by the defendant using marks that passed off as the plaintiffs' marks would have likely led to damages to the plaintiffs.

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[67] The scope of damages suffered by the plaintiffs was explained by Suzanne Tan Wai San, the Managing Director of the second plaintiff ("PW2"). PW2 testified that:

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(i) the false manufacturing dates on the information plates of the pumps affect the quality of the pumps, as the pumps were manufactured on dates earlier than that represented on the information plates;

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(ii) the false information could lead to safety issues, as any pump which should have been disqualified from use may be damaged and catch fire; and

(iii) the defendant's conduct affected the plaintiffs' global contracts with fuel providers such as Shell and Petron.

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[68] Based on PW2's testimony, I find that the plaintiffs have proven that the act of passing off by the defendant would have likely caused damage to them.

[69] From the totality of the evidence before the court, I find that the elements of passing off have been met. The plaintiffs have proven that the conduct of the defendant in supplying the pumps, which did not originate from the plaintiffs but which contain marks identical or similar to the plaintiffs' marks is an act of passing off.

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Decision

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[70] With these findings, the court holds that the plaintiffs have proven their case against the defendant. The court allowed the plaintiffs' claim, with damages to be assessed.

[71] The court ordered costs of RM100,000 to be paid by the defendant to the plaintiffs.

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